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INFO RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 4780
RUEHBJ/AMEMBASSY BEIJING 2571
RUEHKO/AMEMBASSY TOKYO 2436
RUEHIT/AMCONSUL ISTANBUL 3026
RHMFIUU/CDR USCENCOM MACDILL AFB FL
RUEHVEN/USMISSION USOSCE 3298
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
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SUBJECT: TURKMENISTAN: PROVINCIAL DEVELOPMENT UNDERWAY--THE GOOD,
THE BAD AND THE STRANGE

11. (U) Sensitive but unclassified. Not for public internet.

12. (SBU) SUMMARY: In 2008, the Turkmenistan government kicked off a wide array of development projects, under the auspices of a 2007 National Development Program, which was designed to refurbish crumbling Soviet era infrastructure and modestly expand the country's industrial base. Calendar year 2009 is looking much the same. While much of the construction is sorely needed, some of it continues to be expensive projects that will bring neither significant employment nor promote economic development in the outlying provinces. President Berdimuhamedov has been pressing regional leaders to play a greater role in getting projects in their back yards completed, within budget and before deadline, but it would appear that provincial officials are ill-prepared to work with contractors and adequately oversee these projects. The continued dominance of Turkish firms in winning the contracts, along with the prioritization of non-critical infrastructure that will do little for local economic conditions suggest that there is still much post does not understand regarding the development goals of Turkmen leaders. END SUMMARY.

STRATEGY ON PROVINCE DEVELOPMENT

13. (SBU) In April 2007, Berdimuhamedov unveiled a new National Program that mandated fundamental improvements in the socio-economic development and infrastructure of rural settlements, cities and district centers be undertaken in a phased program. The Government earmarked 24.8 trillion manats (\$1.74bn) for the first phase of 2008-2010, 30.7 trillion manats (\$2.2bn) for the second phase of 2011-2015, and 17 trillion manats (\$1.2bn) for the third phase of 2016-2020.

PROVINCIAL SCHOOLS, STADIUMS, HOSPITALS-AND RACE TRACKS

14. (SBU) In 2008, local and Turkish companies commissioned six modern schools for 600 pupils, at costs that ranged from \$7.2-7.7 million each. The schools were established in every province and

equipped with the most modern multimedia equipment. Last year, German Baugesellschaft GmbH company renovated the Serdar region's central hospital and replaced outdated hardware with \$800,000 worth of state-of-the-art technology from the German company Siemens. Russian, Turkish and Lebanese companies are currently building five 10,000-seat sports stadiums in each of the provinces. Each stadium will cost about \$20 million and will comprise a sports complex as well as a hotel. In addition, five horseracing tracks each worth \$49 million and hosting 3,000 spectators is planned for every province, but construction has not yet begun. (NOTE: Since management and breeding of the Ahal Teke horse is a small-scale government enterprise occurring only in the Ashgabat area, it is unclear how the provincial hippodromes would see regular use, much less who would go to the races. END NOTE.)

MORE MOSQUES PART OF THE PLAN

15. (SBU) The Turkish company Kilich Insaat is now building a mosque for 1,500 attendees in the center of Mary city. The Turkish company Polimeks has begun construction of a mosque for 1,500 in the ancient Silk Road city of Konye Urgench, an official gift from the government of Turkey. The mosque is located in Dashoguz province and is a sacred place for Muslims. Along with the mosque, Polimeks is building a museum and conference hall, all to be completed by 2010. Some local staff view the construction of new, official mosques as a waste of money, given that average Turkmen Muslims are unlikely to worship in these grandiose facilities. They privately express the opinion that popular concerns about wages and inflation should take precedence over construction of less necessary buildings.

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NEW STATE FACTORIES PART OF DEVELOPMENT PROGRAM

16. (SBU) The Turkish company Cotam Enterprises LTS is now building two cotton-spinning factories for the Ministry of Textiles. The first, a factory in Ahal province will cost \$70 million and produce some 9,450 tons of yarn by 2010. It will employ nearly 500 people. The second is a \$76.5 million cotton spinning factory in Dashoguz province that will be capable of producing 14,500 tons of cotton yarn per year. Another Turkish company called Engin Grup will also be constructing a \$79 million textile factory this year in Ahal province. By early next year, the factory will begin producing a mixed cotton and polyester yarn, for the first time in Turkmenistan. The factory should have an annual capacity of 13,000 tons of yarn.

PLETHORA OF NEW BRIDGES PLANNED ACROSS THE COUNTRY

17. (SBU) Hundreds of highway and railway bridges are also part of the plan, and many are to be built or reconstructed in Turkmenistan in the next few years. The Turkish N?? Yapi company, along with the British Garanti Koza LLP company have won contracts to build 120 roadway bridges for the Turkmen Motor Roads State Concern. NET Yapi is to build 31 bridges along the Ashgabat-Turkmenbashi highway, 30 bridges along the Ashgabat-Mary highway, 20 bridges on the Turkmenabat-Farap highway, and 9 bridges on the Ashgabat-Karakum-Dashoguz highway. The British company will build 28 bridges on the Mary-Turkmenabat highway by 2010. The total sum of the contracts is \$387.5 million. In the meantime, the Turkmen Motor Roads State Concern is re-paving and widening the Ashgabat-Turkmenbashi, Ashgabat-Dashoguz and Ashgabat-Mary-Turkmenabat-Farap highways.

NEW CEMENT MILL TO FACILITATE BALKAN PROJECTS

18. (SBU) To help speed up some of the infrastructure development in Balkan province, the Turkish company Polimeks will be building a cement mill in Jebel, northwest of Balkanabat city. The company signed a 180 million Euro contract with the Turkmen Oil and Gas Construction State Concern in late 2008. The company is tasked with completing the new mill, with a production capacity of 1 million tons annually, by May 2011. Turkish companies have dominated construction in the last decade in Turkmenistan, and are poised to continue to do so. Post estimates that Turkish contractors won more

than \$8.2bn of construction projects between 2003-2008.

PRESIDENT DEMANDING MORE PROVINCIAL OVERSIGHT

¶9. (SBU) In December 2008, Berdimuhamedov severely criticized local governors for failing to play a role in monitoring the pace and quality of construction projects in their regions. "Usually, unknown firms and companies, without sufficient funds and technical capacity, are allowed to apply for construction tenders and once they win the tenders, contracts are concluded and funds are arranged for them. In the meantime, local governors completely forget to control their compliance with deadlines and quality standards," Berdimuhamedov said. (NOTE: It is unclear where the responsibility for these provincial projects stops for the central government that signs the contracts, and where it starts for regional officials, who have little or no experience in locally managing these efforts. END NOTE.)

¶10. (SBU) During a December 2008 Cabinet of Ministers meeting, the president demanded that both governors and contractors should be held responsible for monitoring construction work. In January 2009, he severely reprimanded all the provincial governors (except the governor of Lebap province Charyyarguly Odeberdiyev, who was fired along with a dozen district governors for grave shortcomings). The president stressed in particular that the governors had failed to

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commission buildings and facilities by stated deadlines. Local staff opined that Odeberdiyev's dismissal was primarily his failure to get the new Ruhyyet (cultural) Palace in Lebap province completed on time. Berdimuhamedov had to postpone the first session of the Elders Council that was scheduled to take place in the new Ruhyyet Palace in December 2008. ((NOTE: The Elders Council session has been rescheduled for March 2009, according to a decree published in Neytralniy Turkmenistan on February 2. END NOTE.))

BERDIMUHAMEDOV UNVEILS PLANS FOR 2009

¶11. (SBU) During the January 15 "year in review" Cabinet of Ministers session, Berdimuhamedov discussed some of the development plans that will be initiated in 2009. In particular, he mentioned the following construction projects: a potassium fertilizer plant in Lebap province, two new units to produce iodine and bromine at the Balkan iodine plant, 1,375 thousand square meters of new residential housing, schools for 6,824 pupils, kindergartens for 1,600 children, a maternity hospital in Gokdepe district, and new museums in Balkanabat, Turkmenabat, and Mary.

¶12. (SBU) COMMENT: A great deal of infrastructure development is underway, all over the country, much of it sorely needed. There is no doubt that President Berdimuhamedov wants to see the program move forward and revive provincial and rural infrastructure that hasn't seen an infusion of spending since the Soviet period. That said, the continued dominance of the Turkish firms along with the construction of less important infrastructure that will neither impact local economic conditions nor provide long-term employment, would seem to suggest that there are conflicting priorities for decision makers. END COMMENT.

MILES